

**In re:
ASARCO LLC, *et al.*,
Debtors**

Case No. 05-21207

**Expert Accounting Report
Wiley R. Wright, III CPA**

June 14, 2007

**In re:
ASARCO LLC, *et al.*,
Debtors**

Case No. 05-21207

A. SCOPE OF ENGAGEMENT

The United States Department of Justice (DOJ) retained Rubino & McGeehin Consulting Group, Inc. (R&M) to independently review and evaluate the costs that were incurred in connection with the Coeur d'Alene Basin Natural Resource Damage Assessment (NRDA) by the Federal Natural Resource Trustees¹ and response actions in the Coeur d'Alene Basin. Our scope of services through my report of February 19, 2005, consisted of the following:

- (1) Verification of DOJ, U.S. Environmental Protection Agency (EPA), U.S. Department of Agriculture (DOA) and U.S. Department of the Interior (DOI) costs incurred in connection with the NRDA and response actions as of August 31, 2003;
- (2) Accumulating and verifying the supporting cost documentation for the NRDA and response costs;
- (3) Preparation of my August 31, 1999 expert witness report;
- (4) Preparation of my December 23, 1999 supplemental expert witness report;
- (5) Preparation of my August 23, 2004 expert witness report;
- (6) Preparation of my February 19, 2005 supplemental expert witness report; and
- (7) Preparation of reply and rebuttal reports.

In performing the aforementioned services, we applied the procedures discussed in my reports to the accounting records and other relevant documents provided by the United States Department of Justice, the United States Environmental Protection Agency and the trustee

¹ The federal Trustees for natural resources in the Coeur d'Alene Basin are the United States Department of the Interior and United States Department of Agriculture. The costs incurred by the non-federal trustee, the Coeur d'Alene Tribe, are not the subject of this report.

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agencies, in connection with the Coeur d'Alene Basin NRDA and response actions. These procedures were performed in order to determine and verify the costs incurred in connection with the NRDA and response actions.

In connection with the ASARCO bankruptcy claims we were asked to review the additional costs² incurred by EPA, ATSDR, and the Trustees related to the Coeur d'Alene Basin Natural Resource Damage Assessment (NRDA) by the Federal Natural Resource Trustees and response actions in the Coeur d'Alene Basin. This review consisted of evaluating the accuracy of summary level reports prepared by EPA and the Trustees and making certain adjustments to correct for the issues identified in our prior verification process. For example, we have deducted the Fish and Wildlife costs that were incorrectly accounted for. In addition, we have reviewed the costs to ensure that there are no duplications or overlapping of transactions and costs between the various time periods covered by my reports.

I am the officer/shareholder responsible for these services and have personally rendered or reviewed the procedures performed by the members of our staff with respect to them. My hourly rate for the services discussed herein is \$215.00 per hour.

B. BACKGROUND AND QUALIFICATIONS

I am a Certified Public Accountant and Senior Shareholder of R&M. I have in excess of 28 years experience in the practice of public accounting and consulting. I have concentrated a very large portion of my practice in the areas of construction contracts, federal government contracts and environmental cost recovery actions, including assistance with the financial and accounting aspects of disputes in these areas. I have performed these services in over 150 environmental matters. Enclosed, as Attachment 1, is a current copy of my resume, which

² The additional costs were incurred during the period September 1, 2003 through March 31, 2007.

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provides more detailed information with respect to my background and qualifications. Attachment 1 also includes a list of publications I have authored or co-authored.

In summary, I have provided expert testimony, either in deposition or trial, in excess of sixty different occasions, many of which were related to cost accounting issues for construction contract, government contract and/or environmental damages. I have testified in proceedings before Federal Boards of Contract Appeals, in arbitration and mediation situations, in federal district courts, state courts, and the U.S. Court of Federal Claims. Attachment 1 lists my previous expert testimony.

R&M is being reimbursed for my services and those of other employees in accordance with the Fee Schedule set out as Attachment 3.

C. DATA AND OTHER INFORMATION CONSIDERED IN FORMING OPINIONS

The data and other information considered in forming my opinions are presented in Attachment 2 to this report.

D. STATEMENT OF OPINIONS

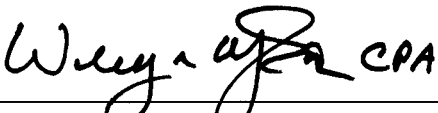
- 1) The United States has established that it has incurred at least \$158,937,008.87 (including interest) in connection with the Basin. This amount does not include DOJ costs which are addressed in the report of Mr. William M. Kime, CPA.
- 2) EPA has incurred \$122,515,703.16 (exclusive of prejudgment interest) in connection with certain Basin site identification (SS ID) numbers. EPA has incurred other costs

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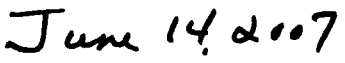
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which are accounted for under separate Basin SSID numbers which are not the subject of this report.

- 3) DOA has incurred \$648,169.73 (exclusive of prejudgment interest) in connection with the Basin.
- 4) DOI has incurred \$13,299,830.43 (exclusive of prejudgment interest) in connection with the Basin.
- 5) ATSDR has incurred \$823,855.39 (exclusive of prejudgment interest) in connection with the Basin.
- 6) Prejudgment interest has been computed on the cumulative amounts based on the methodology described in my August 23, 2004 report. The total prejudgment interest calculated from the demand date of March 22, 1996 through June 15, 2007 is \$21,649,450.16.



Wiley R. Wright, III, CPA



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Summary of Costs Incurred

	Costs Incurred October 1, 1980 through August 31, 2003	Costs Incurred September 1, 2003 through December 31, 2006	Costs Incurred January 1, 2007 through March 31, 2007	Total
U. S. Environmental Protection Agency	\$ 58,617,709.84	\$ 60,686,744.13	\$ 3,211,249.19	\$ 122,515,703.16
U. S. Department of Agriculture Forest Service	559,355.66	88,814.07	-	648,169.73
U. S. Department of the Interior Fish and Wildlife Service	10,445,343.18	860,629.86	75,242.05	11,381,215.09
Bureau of Land Management	1,330,014.28	536,017.53	20,039.53	1,886,071.34
Office of the Solicitor	32,544.00	-	-	32,544.00
U. S. Department of Justice ¹	-	-	-	-
Department of Health & Human Services ATSDR	13,446.62	788,195.16	22,213.61	823,855.39
Prejudgment Interest	<u>12,889,236.46</u>	<u>2,772,236.78</u>	<u>5,987,976.92</u>	<u>21,649,450.16</u>
Totals	<u>\$ 83,887,650.04</u>	<u>\$ 65,732,637.53</u>	<u>\$ 9,316,721.30</u>	<u>\$ 158,937,008.87</u>

¹Costs are presented under separate Expert Report filed by William M. Kime, CPA.

ATTACHMENT 1

Resume of

Wiley R. Wright, III, CPA

WILEY R. WRIGHT, III, CPA
Personal Resume

Mr. Wright is a CPA and Senior Shareholder in Rubino & McGeehin Consulting Group, Inc. He provides services to a wide variety of clients, in addition to litigation support, expert testimony and related consulting activities.

As part of his consulting services, Mr. Wright is extensively involved with construction and government contracting disputes. Mr. Wright consults with law firms, construction and government contractors, and public and private owners. This experience involves a wide variety of projects, including but not limited to, highways; bridges and tunnels; dams; power plants/facilities; airports; prisons; hospitals; manufacturing facilities; numerous other commercial and industrial buildings; satellite design and production programs; aircraft and shipbuilding programs; and defense weapons programs. Mr. Wright has been qualified as an expert witness and has provided expert testimony in construction and government contract litigation matters as well as cost recovery actions under CERCLA. He has testified in proceedings before Federal and State Courts, in International and Domestic Arbitrations, before the NASA Board of Contract Appeals and the Armed Services Board of Contract Appeals. Services Mr. Wright provides to government contract and construction clients include the following:

- claim preparation, review and analysis (certified claims, requests for equitable adjustments and termination claims for conveyance and default);
- change order costing and documentation reviews;
- interim and final project cost audits;
- contract administration consulting;
- accounting system design and reviews;
- Cost Accounting Standards and Federal Acquisition Regulations consulting; cost allowability and allocability determinations;
- defective pricing reviews;
- fraud investigations; and
- False Claims (*Qui Tam*) reviews and analysis.

Representative Construction Project consulting engagements include, but are not limited to, the following:

<u>Project</u>	<u>Contractor</u>
Condominium Building, Virginia Beach, VA	Turner Construction Co.
James River (VA) Bridge	S.J. Groves / Kiewit
Military Housing Units, Cuba	Zublin / Delaware, Inc.
Various Highway Projects	The Driggs Corporation
Pittsburgh International Airport	ANJO Construction
Virginia State Prison	W.M. Jordan, Inc.
Los Angeles County Sludge	Brinderson Corporation
Dehydration/Energy/Recovery System	
Condominium Project	Gilbane Building, Inc.
Pennsylvania Highway Projects	J.M. Morrissey, Inc.
Natural Gas Pipeline	Conoco, Inc.

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<u>Project</u>	<u>Contractor</u>
New Brunswick Power Plant	Noell, Inc.
Los Angeles Emergency Operations Center	Dillingham, Inc.
Robert Byrd Dam	Noell, Inc.
Veterans Administration Hospital	Clark Construction
Office Building Complex	Turner Construction Co.
Alameda Corridor Project	Burlington Northern Railroad
Military Housing Units, Eielson AFB	Kiewit Construction Co.
Fiber Optics Contract	Bechtel and LMAC Inc.
Veterans Administration Hospital	Hoffman Construction Co.
Pittsburgh Stadium	Wilhelm Kruse
Fayette County Prison, PA	Various Prime Contractors
Forest County Prison, PA	Various Prime Contractors
Network Operations Center	Hewlett-Packard
Waste Water Treatment Facilities	Morrison Knudsen International

In addition to construction and government contract related services Mr. Wright provides expert testimony in environmental cost recovery and natural resource damage actions being prosecuted by the U.S. Department of Justice. As part of these efforts, he provides consultations to various government agencies (e.g., the U.S. Department of Justice, the U.S. Environmental Protection Agency, U.S. Department of Interior, the U.S. Department of Commerce and various States) and private entities on a variety of cost accounting and financial matters. Mr. Wright has provided these services in over one hundred and fifty environmental cases, most of which involve construction and government contracting activities and related issues.

Prior to joining the Firm in 1986, Mr. Wright was employed as an audit manager with a large local public accounting firm. As an audit manager with his prior firm, he had responsibility for the firm's audit and consulting services to government and construction contractors and a large financial institution. These responsibilities included performing and supervising audits; financial statement presentation; internal control reviews; and interaction with regulatory agency auditors. He has co-authored an article published in the Maryland Society of Certified Public Accountants' *CPA Statement* entitled "Professional Standards Applicable to Litigation Support." Mr. Wright also teaches continuing professional education courses on construction damages.

WILEY R. WRIGHT, III, CPA
Personal Resume

EDUCATION

- Bachelor of Science –Business Administration/Accounting, George Mason University

PROFESSIONAL CERTIFICATION

- Certified Public Accountant

RELEVANT EXPERIENCE

- Partner, Public Accounting Practice & Management Consultant
- Expert Testimony and Litigation Support Services
- Audits of Construction and Government Contractors
- Consulting Services/Construction and Government Contractors

PROFESSIONAL AFFILIATIONS/MEMBERSHIPS

- American Institute of Certified Public Accountants
- Greater Washington Society of Certified Public Accountants
- Association of Certified Fraud Examiners
- American Bar Association
- National Contract Management Association
- Institute of Management Accountants

WILEY R. WRIGHT, III, CPA
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<u>Plaintiff</u>	<u>Defendant</u>	<u>Forum and Testimony</u>
<i>United States of America</i>	Charles George Trucking Co., et al	United States District Court for the District of Massachusetts
AWM Enterprises, Inc.	<i>Noell, Inc.</i>	Fairfax County, VA, Circuit Court
<i>United States of America</i>	Scott's Liquid Gold	United States District Court, Colorado
<i>United States of America</i>	Broderick Investment Company, Tom H. Connolly, as Trustee, and Burlington Northern Railroad Company	United States District Court for the District of Colorado
<i>United States of America</i>	Atlantic Richfield Company	Alternative Dispute Resolution
<i>United States of America</i>	Atlantic Richfield Company	United States District Court for the Eastern District of Texas
<i>Aerojet-General Corp</i>	United States Air Force	Armed Services Board of Contract Appeals
<i>United States of America</i>	Salvors, Inc., <i>et al</i>	United States District Court, Florida
<i>Noell, Inc.</i>	Los Angeles Department of Water and Power	Superior Court of California
W.R. Mollohan, Inc., <i>et al</i>	Fru-Con Construction Corp. et al	United States District Court, West Virginia
<i>United States of America</i>	Findett Corporation	United States District Court, Missouri
<i>United States of America</i>	DICO, Inc.	United States District Court, Missouri
Golden Bay Fence Co.	<i>Ray Wilson Co</i>	Superior Court Of California, American Arbitration Association

Italics indicate client in the matter
* Within the preceding four years

WILEY R. WRIGHT, III, CPA
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<u>Plaintiff</u>	<u>Defendant</u>	<u>Forum and Testimony</u>
Joe Amaral Mechanical	<i>Clark Construction</i>	United States District Court, Northern District of California
<i>Dillingham Construction</i>	County of Los Angeles	Superior Court of California,
<i>United States of America</i>	ASARCO, Inc., et al.	United States District Court, Idaho
<i>United States of America</i>	Montrose Chemical Co.	United States District Court, California
<i>United States of America And the State of Colorado A</i>	Robert M. Friedland, et al.	United States District Court, District of Colorado
<i>United States of America</i>	Chrysler Corporation, Ford Motor Company, et al.	United States District Court, Northern District of Ohio
E.I. Dupont	<i>United States of America</i>	United States District Court, New Jersey *
<i>United States of America</i>	Tug ALLIE B, et al.	United States District Court, Southern District of Florida *
<i>United States of America</i>	Sprague Energy, et al.	United States District Court, North Carolina *
Kiewit Construction	<i>United States of America</i>	United States Court of Federal Claims *
<i>United States of America</i>	Gurley Refining Co.	United States District Court, Arkansas *
<i>United States of America</i>	W.R. Grace, et al	United States District Court, Montana *
Miami Dade County	<i>United States of America</i>	United States District Court, Florida *

Italics indicate client in the matter

*** Within the preceding four years**

WILEY R. WRIGHT, III, CPA
Personal Resume

<u>Plaintiff</u>	<u>Defendant</u>	<u>Forum and Testimony</u>
Information Systems & Networks Corporation	<i>United States of America</i>	United States Court of Federal Claims *
U.S.F.G.	<i>Dick Barton Malow, et al.</i>	United States District Court, District of Columbia *
Carol AuClair	<i>Anteon Corporation</i>	Fairfax County, Virginia Circuit Court *
<i>United States of America</i>	Mallinckrodt Inc., et al	United States District Court, District of Missouri *
<i>United States of America</i>	ASARCO, Inc	United States District Court, Idaho *
Morrison Knudson International, Inc./ Contrak International, Inc. J.V.	<i>National Organization for Potable Water and Sanitary Drainage</i>	International Commercial Arbitration *
Hewlett Packard	<i>Telecom Egypt</i>	International Commercial Arbitration *
Lighthouse Electric, Inc.	<i>Pennsylvania Department of General Services</i>	Pennsylvania Board of Contract Appeals *
Kirby Electric, Inc.	<i>Pennsylvania Department of General Services</i>	Pennsylvania Board of Contract Appeals *
W.G. Tomko, Inc.	<i>Pennsylvania Department of General Services</i>	Pennsylvania Board of Contract Appeals *
C&M Contracting, Inc.	<i>Pennsylvania Department of General Services</i>	Pennsylvania Board of Contract Appeals *
Oldcastle Precast, Inc.	<i>Pennsylvania Department of General Services</i>	Pennsylvania Board of Contract Appeals *
Macgregor Industries	<i>Pennsylvania Department of General Services</i>	Pennsylvania Board of Contract Appeals *
W. G. Tomko, Inc.	<i>Pennsylvania Department of General Services</i>	Pennsylvania Board of Contract Appeals *

Italics indicate client in the matter

** Within the preceding four years*

WILEY R. WRIGHT, III, CPA
Personal Resume

<u>Plaintiff</u>	<u>Defendant</u>	<u>Forum and Testimony</u>
<i>United States of America</i>	Jay James Jackson, et al.	United States District Court, District of Nebraska *
<i>Jackson 2000 LLC, et al.</i>	American Geotech, Inc., et al.	United States District Court, Southern District of Ohio – Eastern Division *
<i>United States of America</i>	RSR Corporation, et al.	United States District Court, Washington *
<i>United States of America</i>	Dominick Manzo, et al.	United States District for the District of New Jersey *
<i>East Coast Glass Systems</i>	Pohl, Inc.	United States District Court, Eastern District of Virginia*
Gates of McLean Condominium	<i>Gates of McLean Development, LLC</i>	Circuit Court of Fairfax County*
Basic Management, Inc.	<i>United States of America</i>	United States District Court, District of Nevada*
<i>United States of America</i>	Newmont USA Limited and Dawn Mining company, LLC	United States District Court, Eastern District of Washington*
Clairton Slag, Inc.	<i>Commonwealth of Pennsylvania, Department of General Services</i>	Board of Claims, Commonwealth of Pennsylvania
Lumbermens Mutual Casualty	<i>United States of America</i>	United States Court of Federal Claims

Italics indicate client in the matter

*** Within the preceding four years**

ATTACHMENT 2

Data and Other Information Considered in Forming Opinions

**In re:
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DATA AND OTHER INFORMATION CONSIDERED IN FORMING OPINIONS

Amendment of Solicitation/Modification of Contract
ATSDR Comprehensive Payroll Expense Reports
ATSDR Contract Expenditures Reports
ATSDR Correspondence
ATSDR Cost Recovery Time Sheets
ATSDR Cost Summary Reports
ATSDR Fiscal Year 2002 Indirect Cost Allocation Plan for the Superfund Program
ATSDR Fiscal Year 2003 Indirect Cost Allocation Plan for the Superfund Program
ATSDR Fiscal Year 2004 Indirect Cost Allocation Plan for the Superfund Program
ATSDR Fiscal Year 2002 Indirect Cost Rate for the Superfund Program
ATSDR Fiscal Year 2003 Indirect Cost Rate for the Superfund Program
ATSDR Fiscal Year 2004 Indirect Cost Rate for the Superfund Program
ATSDR Indirect Cost Rate Expense Reports
ATSDR Indirect Costs Reports
ATSDR Payroll Expense Reports
ATSDR Revised Activity Codes and Definitions
ATSDR Summary Analysis for Fiscal Year 2002 Costs
ATSDR Summary Analysis for Fiscal Year 2003 Costs
ATSDR Summary Analysis for Fiscal Year 2004 Costs
ATSDR State Cooperative Agreement Expenditures Reports
ATSDR Travel Expense Reports
Bureau of Land Management – Internal Labor and Expense Summaries
CDC/IS Data: Purchase Order Reports
Contractor/Vendor Invoices
Eastern Research Group – 3rd Party Invoices
Eastern Research Group Cost Recovery Packages
Eastern Research Group Employee Timesheets
Eastern Research Group Monthly Progress Reports
EPA SCORPIOS Reports
Health Consultation: Coeur d’Alene Basin Spokane River Sediments – Spokane, WA
Miscellaneous Expense Receipts
Order for Supplies or Services
Request, Authorization, Agreement and Certification of Training
Requests for Advance or Reimbursement
Schedules of Expenses and Amounts Claimed
Solicitation/Contract/Order for Commercial Items
Timesheets

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TOPS Accounting Trans Query
Travel Authorizations
Travel Receipts
U.S. Department of Interior Travel Vouchers
U.S. Fish and Wildlife Service – Coeur d’Alene NRDA Cost Documentation Summaries
U.S. Fish and Wildlife Service – Coeur d’Alene NRDA Regional Office Reports
U.S. Fish and Wildlife Service – Coeur d’Alene NRDA Spokane FWO Reports
U.S. Fish and Wildlife Service – Coeur d’Alene NRDA Upper Columbia FWO Reports
U.S. Fish and Wildlife Service Cooperative Agreements
U.S. Fish and Wildlife Service Cooperative Agreement Modifications
U.S. Fish and Wildlife Service Current Year Office Obligation Transactions Reports
U.S. Fish and Wildlife Service Employee Time Reporting Worksheets
U.S. Fish and Wildlife Service Time and Attendance Records
U.S. Forest Service Correspondence
U.S. Forest Service I-Web G&A by FY and Agreement Number Report

ATTACHMENT 3

Fee Schedule

PROFESSIONAL FEES

Shareholder	\$215
Manager	174
Supervisor	138
Senior Accountant	128
Staff Accountant	97
Paraprofessional	56
Administrative	46